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SUBJECT: CORRUPTION: NIGERIA "IMPROVES" TO SIXTH-WORST IN THE WORLD...WHAT CAN WE DO ABOUT IT?

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Classified By: Ambassador John Campbell for Reasons 1.4 (b) and (d)

Summary

¶1. (U) Transparency International recently released its annual Corruption Perceptions Index for 2005, showing that there are now five countries in the world perceived to be more corrupt than Nigeria. In 2004, only two countries had been listed as more corrupt. As expected, the GON both claimed credit for the "improvement" in position, and denied that there was still a corruption problem in Nigeria.

¶2. (S/REL UK) Corruption remains widespread in Nigeria at all levels of the private and public sector. The arrests in London of the Bayelsa and Plateau State governors barely scratched the surface of the endemic corruption at the federal, state, and local level. The current campaign to ferret out corrupt officials is widely perceived to be nothing more than a political witch hunt by President Obasanjo, a view supported by examining cases targeted at high-level officials. Section 308 of the 1999 constitution gives immunity from civil or criminal prosecution to the President, Vice President, Governors, and Deputy Governors, and many holders of these offices have clearly taken advantage of this privilege. There is no such immunity from U.S. visa revocation under Presidential Proclamation 7750, however, and post plans to submit further requests for revocation of visas of corrupt public officials. End Summary.

Transparency International: Nigeria's a Little Better

¶3. (U) Transparency International (TI) recently released its annual Corruption Perceptions Index for 2005, showing that there are now five countries in the world perceived to be more corrupt than Nigeria: Chad, Bangladesh, Turkmenistan, Myanmar, and Haiti. In 2004, only Bangladesh and Haiti had been listed as more corrupt. Nigeria's absolute rating increased slightly, from 1.6 (out of 10) to 1.9, though the range of the confidence interval could have placed the country anywhere in the bottom nine. As expected, the GON claimed credit for the "improvement" in position, saying it was evidence of the Obasanjo administration's reforms. And as expected, the GON also faulted TI's methodology and denied there was still a corruption problem in Nigeria.

¶4. (U) The World Economic Forum has released the results of a survey finding improvement in Nigerian firms' perceptions of corruption in the country. For example, from 2002-2005, the percentage of Nigerian firms that believed

public funds in Nigeria were diverted due to corruption decreased from 100% to about 75%.

¶15. (U) The Economic and Financial Crimes Commission (EFCC) and its chairman, Nuhu Ribadu, continue to grab headlines, as newspapers eagerly report the rumored targets of EFCC investigations. Independent Corrupt Practices Commission (ICPC) chairman Mustapha Akanbi stepped down on September 29 and was replaced by another former Supreme Court justice, Emmanuel Olayinka Ayoola. Meanwhile, the EFCC and the ICPC have won only a single conviction of a high-level public official: on November 22, former Inspector-General of Police Tafa Balogun, fired for corruption, pled guilty to minor obstruction charges and received a sentence of just six months, less time served.

Corruption Remains Pervasive, from the Top Down

¶16. (U) Corruption remains widespread in Nigeria at all levels of the private and public sector. The arrests in London of the Bayelsa and Plateau State governors have barely scratched the surface of the endemic corruption at the federal, state, and local level. Section 308 of the 1999 constitution gives immunity from civil or criminal prosecution to the President, Vice President, Governors, and Deputy Governors, and many holders of these offices have clearly taken advantage of this privilege.

¶17. (U) For example, in a widely-circulated August 22 letter to President Obasanjo, Abia State Governor Orji Uzor Kalu accused Obasanjo of corruption, listing a number of dubious deals, including:

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--Cancellation of the contract for the construction of the national stadium in Abuja, only to re-award the contract to a different vendor at a higher price.

--Use of public funds for capital improvements at two private schools secretly owned by Obasanjo.

Obasanjo's response was to agree to be "investigated by the EFCC, which reports to the President. When the EFCC invited Kalu to provide evidence to support his accusations, Kalu refused, pointing out that the EFCC was not an independent investigative body and had no authority to prosecute the President, and the investigation died out.

¶18. (C) The President's chicken farm in Otta is one of the largest in Nigeria. A Presidential spokesman said in November 2004, in order to explain Obasanjo's personal wealth, that the farm generated about \$250,000 per month in income, though it was nearly bankrupt in the late 1990s (ref A). Regardless of whether the current income figure is accurate, at least some Nigerians think it is unlikely that Obasanjo's military pension and benefits were the sole source of investment for establishing this huge enterprise, valued by a construction engineer involved in the construction at more than \$250 million.

¶19. (S/REL UK) It is also widely believed that the President's inner circle also reaps hefty rewards with impunity. Some frequently cited examples are:

--Edmund Daukoro, recently named Minister of State for Petroleum Resources, was charged in 1994 for embezzling some \$47 million as a managing director of the Nigerian National Petroleum Corporation (NNPC). The charges were abandoned, and Daukoro's political career soared when Obasanjo took office in 1999.

--Senator Florence Ita Giwa, indicted for misappropriation of funds by the Idris Kuta Panel in 2000, was pardoned along

with other indicted senators, and she was named a special advisor to Obasanjo when she left office.

--The head of the National Airport Management Authority (NAMA), Rochas Okorocha, was caught and dismissed for embezzling about \$1 million through an inflated contract; Obasanjo then appointed him as a senior aide, without requiring Okorocha to repay the stolen funds. Okorocha was eventually fired on July 13 in a cabinet reshuffle, but went on to start a political party for his renewed presidential ambitions.

--The recent auction of oil blocks included some firms bidding,, sometimes with no prior ties to the oil industry, that were linked to Obasanjo associates, including Daukoro, Rivers State governor Peter Odili, Ogun State governor Gbenga Daniel, presidential advisor Andy Uba, presidential chief of staff Abdullahi Mohammed, Minister of the Federal Capital Territory Nasir al-Rufai and PDP Board of Trustees Chairman Tony Anenih.

--Anenih was indicted by the National Assembly for the sum of 300 billion Naira (approximately \$2.4 billion) missing from Ministry of Works and Housing while he was the minister. The missing money is widely believed to have paid off 2003 elections "expenses," including to Balogun, in addition to lining his own pockets.

--Minister of Finance Ngozie Okonjo-Iweala is said to have steered contracts to her brother (JonJon) with the help of al-Rufai. The contracts, said to amount to about \$50 million, have been paid for consulting work for the Ministry.

--Al-Rufai is at the center of the corruption allegations. Well-known to PolCouns eight year ago, when he was homeless and seeking a loan to import a taxi from the UK, al-Rufai is said to have recently purchased seven upscale properties in a posh Abuja neighborhood. His demolitions of commercial and residential buildings in the capital have reportedly provided an opportunity for himself and several of his friends. After demolishing residential properties in Kubwa, the land was reallocated to several of his friends and to an investment company he allegedly owns. The community of Chika, where about two square miles of development was demolished in December, has allegedly been allocated to the same group of people.

--Chief Olabode George, current PDP National Chairman (Southwest) is a close friend of President Obasanjo and a leading proponent of the Third Term Agenda. He is one of the

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people accused of financial recklessness in the affairs of the National Port Authority, where he was chairman when the financial scandals were allegedly committed. He was retired from the Navy in the 1990s by the Babangida Administration after serving as military governor of Ondo State from 1987 to 1990 in addition to other military postings.

--Chris Uba, recently appointed to the PDP Board of Trustees, admitted rigging during the 2003 elections and attempted to kidnap the governor of Anambra state to try to collect payments for his efforts. Linked closely to several vigilante groups in the state, he is widely believed to be responsible for the burning of many state government buildings in Awka, crimes that have yet to be solved.

¶10. (C/REL UK) Obasanjo himself is believed to be one of the owners of Suntrust Petroleum. And questions remain about the Obasanjo Library project, which collected enormous sums of money from government contractors, banks, industrialists, and state governors, ostensibly for the construction of a presidential library, the plans for which are vague. It is widely believed throughout the country that Obasanjo and his son, Gbenga, are major shareholders in the newly reorganized Zenith Bank and UBA Bank as well as in airlines and the

telecommunications sector.

¶11. (C/REL UK) The Bureau of Private Enterprises oversaw the privatization of many government-owned business, including sugar, steel, rice and other sectors. It is widely believed that the privatization exercise benefited both the President, through Aliko Dangote, and the Vice President, through various agents.

¶12. (C/REL UK) Meanwhile, at the state level, the personal excesses of several governors indicate that they are finding ways to supplement their government salaries:

--Edo State governor Lucky Igbenedion purchased a \$6 million mansion in London in 2000 through a series of shell companies, a year after he was elected governor. He has two Ferraris on the premises. He also owns reputedly the most expensive residence in Abuja, estimated at \$25 million.

--Delta State governor James Ibori owns two London estates. The properties were purchased for \$3 million and \$4 million, respectively, after Ibori was elected governor. Through a shell company registered to his London-based wife, he offered for public auction an ongoing supply of 6 million barrels of oil per month. When reporters confronted his wife, the shell companies abruptly changed their directors so that Ibori's wife was no longer listed.

--Rivers State governor Peter Odili has built an impressive portfolio from his corrupt dealings as governor of one of the oil-rich states in Nigeria since his first election in 1999. Beginning his political career as a medical doctor with a small private clinic in Port Harcourt, he now hosts extravagant events and boasts that it would not have been possible "before he became governor." Further, he is widely suspected of being directly responsible for facilitating massive irregularities in both the 1999 and 2003 elections. His own state officials have claimed that Odili has employed militia groups, many of which are responsible for the continuing unrest in the delta region.

--Each of the 36 state governors donated 10 million naira (about \$75,000) to the Obasanjo library project. Following a public outcry, the library organizers stated the donations were from the governors' personal funds, but several governors backpedaled from their commitments, claiming they had made no such pledges. When a Lagos lawyer filed a code of conduct complaint alleging conflict of interest in the President's receiving these donations from recipients of government funds, Obasanjo invoked the immunity clause of the constitution, and the complaint died out.

What Can We Do?

¶13. (S/REL UK) While we cannot prove all of these accusations in a court of law, their significance is that they are widely believed both among political figures and among that part of the general public that is politically aware. It is in the USG's interest to support Nigeria's efforts to root out corruption and, while our positive public pronouncements contribute to the environment, the biggest influence we can have is the judicious use of U.S. visa revocation for corrupt practices, as provided by Presidential Proclamation 7750. Though we are unable to identify every

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corrupt official, the Mission is compiling a list of some prominent and egregious corrupt officials from throughout the country. This list will take into consideration the individuals, levels of corruption and the impact on Nigerian stability of a 7750 decision. The list could be expanded in many directions, but the Mission feels that such an effort would demonstrate the sincerity and seriousness of the USG's commitment to good governance and, if these individuals are

found ineligible, that finding could contribute greatly to entrenching the precepts of good governance and accountability in Nigeria.

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